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SAN MIGUEL BREWERY HONG KONG LTD.

香港生力啤酒廠有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 236)

CONTINUING CONNECTED TRANSACTIONS

On 26 November 2009, SMGB, an indirect non-wholly owned subsidiary of the Company and SMGFB, an indirect wholly owned subsidiary of SMC (the ultimate controlling shareholder of the Company), entered into the Agreement pursuant to which SMGB has agreed to allow SMGFB to use its Pipeline located at Shunde District, Foshan City, Guangdong Province, the PRC for the discharge of SMGFB's production waste water to Longjiang waste water treatment plant for waste water treatment.

During the term of the Agreement, SMGFB shall pay SMGB an aggregate sum of RMB7,800,000 (approximately HK\$8,853,000), the amount of which is payable quarterly for three years (i.e. RMB650,000 (approximately HK\$737,750) per quarter x 12 installments).

Transactions contemplated under the Agreement constitute Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules. Based on the consideration, as the applicable percentage ratios for the Continuing Connected Transactions on an annual basis are more than 0.1% but are less than 2.5% and the annual consideration shall be less than HK\$10 million for each of the three years ending 31 December 2012, the Continuing Connected Transactions shall only be subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules but shall be exempted from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

BACKGROUND

The principal business activities of the Group are the production and/or distribution of bottled, canned and draught beers and other beverage products. The Company is a non-wholly owned subsidiary of SMC. SMC is the largest publicly listed food, beverage and packaging company in Southeast Asia and has over 100 facilities in China and Southeast Asia.

SMGB, an indirect non-wholly owned subsidiary of the Company, is principally engaged in the production and sale of beer products in the PRC and has its brewery facilities located at Shunde District, Foshan City, Guangdong Province, the PRC. SMGFB, an indirect wholly owned subsidiary of the SMC, is principally engaged in the production and marketing of non-alcoholic beverages and has its production facilities located at Shunde District, Foshan City, Guangdong Province, the PRC, near the brewery facilities of SMGB.

SMGB uses its Pipeline from its production facilities to discharge waste water and has connected the Pipeline to the waste water pipeline system of the Longjiang waste water treatment plant for waste water treatment. As the production facilities of SMGFB are also close to the SMGB's facilities, SMGB has agreed to allow SMGFB to use the Pipeline for the discharge of SMGFB's production waste water to the Longjiang waste water treatment plant for waste water treatment pursuant to the Agreement.

THE AGREEMENT

Date:

26 November 2009

Parties:

- (i) SMGB; and
- (ii) SMGFB

Under the Agreement, SMGB agreed to grant SMGFB a non-exclusive right to use the Pipeline for the discharge of waste water from SMGFB's production facilities to Longjiang waste water treatment plant for waste water treatment, for a term of 3 years from 1 January 2010 to 31 December 2012.

Fees:

During the term of the Agreement, SMGFB shall pay SMGB a fee in an aggregate sum of RMB7,800,000 (approximately HK\$8,853,000), the amount of which is payable quarterly for three years (i.e. RMB650,000 (approximately HK\$737,750) per quarter x 12 installments). Accordingly, SMGFB shall pay SMGB RMB2,600,000 (approximately HK\$2,951,000) for each of the three years ending 31 December 2012. For any late payment, SMGB is entitled to a late charge payable by SMGFB being 0.03% on the overdue amount (calculated on a daily basis). SMGB is entitled to terminate the Agreement unilaterally if SMGFB is not able to settle the overdue amount in full within 30 days from demand by SMGB, without prejudice to any claim which SMGB may have against SMGFB for any loss or expenses incurred by SMGB arising from such late payment.

SMGFB shall be responsible for paying all relevant fee to the Longjiang waste water treatment plant in respect of the treatment of waste water discharged by SMGFB through the Pipeline.

SMGB shall be responsible for the day to day repair and maintenance of the Pipeline. SMGFB shall be liable for any damage, loss or liability arising from its use of the Pipeline under the Agreement, including but not limited to any damage, loss and liability arising from the fault or negligence of SMGFB.

The fees under the Agreement are agreed between SMGB and SMGFB after arm's length negotiation mainly with reference to (i) the construction and maintenance costs of the Pipeline and the estimated volume of waste water to be discharged by the production facilities of SMGFB to the Pipeline (the volume of which are estimated based on the production volume of SMGFB) which shall not have any material impact on the repair and maintenance costs of the Pipeline that may be incurred by SMGB and (ii) the term of the Agreement of three years.

Term:

The Agreement shall have a term of three years from 1 January 2010 to 31 December 2012 and is renewable upon terms and conditions as may be agreed between the parties to the Agreement (subject to the Company complying with the relevant requirements of the Listing Rules).

REASONS FOR THE TRANSACTION

The principal business activities of the Group are the production and/or distribution of bottled, canned and draught beers and other beverage products and has its production facilities located at Hong Kong and Shunde District, Foshan City, Guangdong Province, the PRC. SMGB discharges waste water from its production facilities through the Pipeline. SMGFB is principally engaged in the production and marketing of non-alcoholic beverages and has its production facilities located near the brewery facilities of SMGB. SMGFB contacted and discussed with SMGB using the Pipeline to discharge SMGFB's production waste water.

The Company and SMGB agreed with SMGFB in respect of the use of the Pipeline subject to the terms of the Agreement. The Directors have taken into account the capacity that the Pipeline can accommodate and the estimated volume of waste water to be discharged by SMGFB through the Pipeline (with reference to the production volume of SMGFB) and consider that SMGFB's use of the Pipeline to discharge SMGFB's production waste water is not expected to result in any significant increase in the costs of the Group (i.e. the repair and maintenance costs of the Pipeline which may be incurred by SMGB) and is not expected to adversely affect the discharge of SMGB's own waste water from its facilities through the Pipeline. On the other hand the transactions under the Agreement shall generate additional income and cash flow to the Group.

The Directors (including the independent non-executive Directors), after taking into account the benefits and costs of the Agreement as explained above, consider that the Continuing Connected Transactions are entered into incidental to the ordinary and usual course of business of the Group and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES REQUIREMENTS

The San Miguel Group controls approximately 65.78% of the issued share capital of the Company. SMC and its associates (i.e. SMGFB, being an indirect wholly owned subsidiary of SMC) are therefore connected persons of the Company for the purposes of the Listing Rules. The transactions under the Agreement shall constitute non-exempt continuing connected transactions under the Listing Rules.

The fee payable by SMGFB under the Agreement on an annual basis is RMB2,600,000 (approximately HK\$2,951,000) for each of the three years ending 31 December 2012. The applicable percentage ratios for the Continuing Connected Transactions on an annual basis are more than 0.1% but are less than 2.5% and the annual consideration shall be less than HK\$10 million for the each of the three years ending 31 December 2012, the Continuing Connected Transactions shall only be subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules but shall be exempted from the independent shareholders' approval requirement pursuant to Rule 14A.34 of the Listing Rules.

As at the date of this announcement, the Board of the Company comprises the executive director, Mr. Peter K. Y. Tam, the non-executive directors, Mr. Ramon S. Ang (Chairman), Mr. Faustino F. Galang (Deputy Chairman), Mr. Carlos Antonio M. Berba, Ms. Minerva Lourdes B. Bibonia, Mr. Cheung Yuen Tak, Mr. Thelmo Luis O. Cunanan, Jr., General Benjamin P. Defensor, Jr. and Ms. Jesusa Victoria Hernandez-Bautista; and the independent non-executive directors, Dr. The Hon. Sir. David K. P. Li, Mr. Ng Wai Sun and Mr. Carmelo L. Santiago.

DEFINITIONS

Unless the context requires otherwise, the use of capitalised terms in this announcement shall have the following meanings:

“Agreement”	an agreement dated 26 November 2009 entered into between SMGB and SMGFB pursuant to which SMGB agreed to grant SMGFB non-exclusive right to use its Pipeline for discharge of waste water by the production facilities of SMGFB
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	San Miguel Brewery Hong Kong Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions between SMGB and SMGFB under the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pipeline”	waste water discharge pipeline located at Shunde District, Foshan City, Guangdong Province, the PRC and connected to the waste water pipeline system of Longjiang waste water treatment plant
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company

“Shares”	shares of HK\$0.50 each in the Company
“SMC”	San Miguel Corporation, the ultimate controlling shareholder of the Company
“San Miguel Group”	SMC and its associates (excluding members of the Group)
“SMGB”	San Miguel (Guangdong) Brewery Company Limited, a company incorporated in the PRC with limited liability and a 92% indirectly owned subsidiary of the Company
“SMGFB”	San Miguel (Guangdong) Foods & Beverages Co., Ltd., a company incorporated in the PRC and an indirect wholly owned subsidiary of SMC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board

Ramon S. Ang

Chairman

Hong Kong, 9 December 2009